Hello Fellow FPA Members and Sponsors,

Our next study group meeting will be on **Wednesday, 11/1/2017** at the office of Westlake, Grahl and Glover in Roseville. We will be meeting from **12 - 1 p.m.** and this will be a **brown bag lunch**. There is plenty of parking in their lot.

The address is:
9265 Sierra College Blvd.
Granite Bay, CA 95746

Based on our last meeting, there was a lot of interest in doing a case study. Therefore, I have created a case study for us to discuss.

The goal for this meeting is to see how each of us approach planning differently and have an open discussion about possible strategies for this hypothetical couple. Therefore, it would be helpful to have reviewed the case prior to the meeting and be prepared to share ideas and strategies with the group. If you want to spend the time to do a full financial plan with graphs, etc. then feel free to do so, but it is not expected for our meeting.

Please find the details of the case below:

Clients' Names: Michael and Karen McGuire

Background: Michael and Karen have been married for 30 years. They met while Karen was at medical school. Michael works for a nonprofit health organization. Karen is a doctor and specializes in working with indigent population. Karen owns 25% of a medical practice. The practice is a C-corp and leases the building they use. They have a staff of 10 people and 4 owners (including Karen). The staff is young, low paid medical students and the owners are in their 50's.

Neither Michael or Karen have been previously married and they have two adult children and three grandchildren. Everyone is in good health, except that Michael just had an unexpected hospitalization from stomach ulcers but he is expected to make a full recovery.

Karen and Michael have been helping their kids by paying them each $500 per month to cover living expenses. They would like to continue this throughout their lifetime.

Goals:
1) Reduce current taxes
2) Retire at age 65
3) Move to smaller house
4) Debt free during retirement
5) Continue gifting money to children
6) Continue to give to charities - UC Davis Children's Hospital and Doctors without borders
7) Leave grandkids with funds for college and/or first house down payment

DOBs:
1) Michael - 1/20/1960
2) Karen - 2/14/1960

Children DOBs:
1) Henry - DOB - 1/14/1989 (married to Heather) - 2 Kids - Connor (DOB - 1/1/2014) and Jack (DOB - 12/1/2016)
2) Michelle - DOB - 10/15/1991 (married to John) - 1 child - Addison (DOB - 9/1/2017)

Income:
1) Michael = $80,000/yr
2) Karen = $270,000/yr.

Expected Annual Cash Flow Needs During Retirement:
$80,000/yr. after taxes, paying children ($500/mo. each) and mortgage in 2017 dollars. (Karen and Michael have been helping their kids by paying them each $500 per month. They would like to continue this throughout their lifetime.)

Retirement Savings:
1) Michael's IRA = $100,000
2) Michael's 403b = $300,000 (contributing $24,000/yr. no employer contributions)
3) Karen's 401k = $600,000 (Contributing $24,000/yr. with 4% matching Safe Harbor)
4) Brokerage account = $100,000
5) Savings account = $40,000
6) Karen's business value at 25% of medical practice = $250,000

Pension:
None for either

Social Security:
1) Michael = $2,348/mo. at FRA
2) Karen = $2,903/mo. at FRA

Home:
Sacramento county. Value = $700,000. Original purchase price was $200,000 in 1988.

Debt:
They completed a home remodel in 2012. They took out a 15 year home mortgage of $250,000 at 4.25% in 2012. They have 10 years remaining on their 15 year mortgage. No other debts.

Long-Term Care:
No policies in place

Estate Plan:
They have a Will and Trust, but they were created in 1999 and have not been updated.

Life Insurance:
1) a. Michael has $150,000 through his work.
b. Michael has flexible premium Variable Universal Life policy with $250,000 death benefit that was started in 1997. The cost basis is $100,000. Net surrender value = $110,000. The premiums are $4,400 per year. Cost of insurance is $3,000/yr.
2) a. Karen has a buy-sell for $250,000 with her company
b.Karen has Universal Life cash value policy with Death Benefit of $1,000,000 that was started in 1994. Annual premium is $9,740. Guaranteed interest rate is 5% per year. Net surrender

value = $330,000. Cost of insurance is $2,900/year.

Thank you,

Matt Page, CFP®, CRPS®
President-Elect
FPA of Northern California